

**AUDITED FINANCIAL STATEMENTS
REQUIRED SUPPLEMENTAL INFORMATION
OTHER FINANCIAL INFORMATION
AND SUPPLEMENTAL REPORTS**

**WESTERN UPPER PENINSULA
MANPOWER CONSORTIUM
IRONWOOD, MICHIGAN**

June 30, 2005

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name WESTERN UPPER PENINSULA MANPOWER CONSORTIUM	County GOGEBIC
Audit Date JUNE 30, 2005	Opinion Date DECEMBER 15, 2005	Date Accountant Report Submitted to State: JANUARY 11, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).	X		

Certified Public Accountant (Firm Name) JOKI, MAKELA & POLLACK, P.L.L.C.			
Street Address 301 NORTH SUFFOLK STREET		City IRONWOOD	State MI
Accountant Signature <i>Joki, Makela & Pollack, PLLC</i>		ZIP 49938	Date 1/11/06

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JOKI, MAKELA & POLLACK, P.L.L.C.

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Directors
Western Upper Peninsula Manpower Consortium
Ironwood, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of Western Upper Peninsula Manpower Consortium, a component unit of Gogebic County, Michigan, as of and for the year ended June 30, 2005, which collectively comprise the Consortium's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Western Upper Peninsula Manpower Consortium's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the governmental activities and the major fund of Western Upper Peninsula Manpower Consortium as of June 30, 2005, and the changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2005, on our consideration of Western Upper Peninsula Manpower Consortium's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 5 through 9 and 25, respectively, are not a required part of the basic financial statements but are

supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Western Upper Peninsula Manpower Consortium's basic financial statements. The accompanying Other Financial Information, which includes the Schedule of Expenditures of Federal Awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, it is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Joti, Mahala & Pollack, PLLC

Certified Public Accountants

Ironwood, Michigan
December 15, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS
WESTERN UPPER PENINSULA MANPOWER CONSORTIUM

Year ended June 30, 2005

Management's Discussion and Analysis

This section of the Western Upper Peninsula Manpower Consortium's (Consortium) annual financial report presents our discussion and analysis of the Consortium's financial performance during the year ended June 30, 2005. It is to be read in conjunction with the Consortium's financial statements, which immediately follow. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) *Basic Financial Statements – and Managements Discussion and Analysis – for State and Local Governments* and is intended to provide the financial results for the fiscal year ending June 30, 2005.

Government-wide Financial Statements

The Government-wide financial statements appear first in the financial report. These financial statements include the statement of net assets and the statement of activities. They report information about the Consortium as a whole. The statements are prepared using the accrual basis of accounting which is the accounting used by most private sector businesses. The statement of net assets includes all of the Consortium's assets and liabilities. All current year revenues and expenses are reported in the statement of activities. The two statements report the governmental activities of the Consortium that include all services performed by the Consortium. These activities are funded by federal and state grants.

The statement of net assets shows the Consortium's assets and liabilities. The corresponding balance between the assets and liabilities equals the net assets or deficit of the Consortium. A deficit occurs when there are more liabilities than there are assets to pay those liabilities. This statement measures the financial strength of the Consortium; the greater the net asset figure, the healthier the financial position of the Consortium generally is. It helps management determine if the Consortium will be able to fund current obligations and whether they have resources available for future use.

The statement of activities shows the current year change in net assets on a revenue less expenditure basis. It generally shows the operating results for a given year of the Consortium. Any excess of revenues over expenditures results in a surplus for the year that in turn increases the net assets (or reduces a deficit) available to fund future needs of the Consortium.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Fund Financial Statements

The Consortium's fund financial statements show detail of funds that are determined to be significant, called major funds. The Consortium has only one fund. That fund is a special revenue fund which is the major governmental fund. The Consortium has no nonmajor funds.

Governmental funds are accounted for by the modified accrual method of accounting (flow of current financial resources measurement focus). This method records revenues when all applicable eligibility requirements are met and resources are available to finance expenditures of the fiscal period. Expenditures are recorded when the related liability is incurred. The governmental fund financial statements show the detail of operations for a given year according to this method of accounting. The individual fund statements help management determine what financial resources are available on a short-term basis to fund operations.

Since the government-wide financial statements and the fund financial statements use different methods of accounting to report the Consortium's financial condition, a reconciliation is included in the financial statements showing the differences between the two types of statements.

Government-wide Financial Statements – Condensed Financial Information

Statement of Net Assets

The following is the June 30, 2005 and 2004, condensed statement of net assets with a detailed analysis of the statement below.

		Governmental Activities	
		June 30,	
		2005	2004
ASSETS			
Current Assets:			
Cash		\$ 86,917	\$ 60,209
Accounts receivable		185,152	118,201
Other current assets		<u>14,218</u>	<u>22,170</u>
Total Current Assets		\$ 286,287	\$ 200,580
Capital assets, net of accumulated depreciation		<u>46,565</u>	<u>25,083</u>
Total Assets		<u>\$ 332,852</u>	<u>\$ 225,663</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Statements – Condensed Financial Information (Continued)

Statement of Net Assets (Continued)

		Governmental Activities	
		June 30,	
		2005	2004
LIABILITIES			
Accounts payable		\$ 170,608	\$ 98,894
Other current liabilities		<u>115,679</u>	<u>101,686</u>
	Total Current Liabilities	\$ 286,287	\$ 200,580
Long-term liabilities		<u>18,126</u>	<u>17,494</u>
	Total Liabilities	<u>\$ 304,413</u>	<u>\$ 218,074</u>
NET ASSETS			
Investment in capital assets, net of related debt		\$ 46,565	\$ 25,083
Unrestricted (deficit)		<u>(18,126)</u>	<u>(17,494)</u>
	Total Net Assets	<u>\$ 28,439</u>	<u>\$ 7,589</u>

The Consortium's net assets are \$28,439 at June 30, 2005. This is an increase of \$20,850 from the prior year. Capital assets, net of related debt are \$46,565. This figure is derived by taking the original costs of the Consortium's assets, subtracting accumulated depreciation to date and comparing this figure to the amount of long-term debt used to finance the acquisition of those assets. The Consortium had no debt related to fixed assets at June 30, 2005 or 2004.

The unrestricted net assets are in a deficit of \$18,126 and \$17,494 as of June 30, 2005 and 2004, respectively. This is the net accumulated results of past years' operations. This deficit is directly attributable to the accrual required for the long-term liability for vacation benefits payable. The nature of the Consortium's operations is based on expense reimbursed grants. Once the vacation benefits are paid out, grants will be charged for reimbursement based on the Consortium's cost allocation plan.

Statement of Activities

The results of operations for the Consortium as a whole are reported in the statement of activities, which follows below. This statement reports the changes in net assets for the fiscal year ended June 30, 2005 and 2004.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Statement of Activities (Continued)

	Governmental Activities	
	<u>Year ended June 30,</u>	
	<u>2005</u>	<u>2004</u>
Revenue -		
Program Revenue -		
Operating grants	\$ 1,899,324	\$ 2,119,474
Functions/Program Expenses -		
Health and welfare	<u>1,878,474</u>	<u>2,116,463</u>
Increase in Net Assets	<u>\$ 20,850</u>	<u>\$ 3,011</u>

The Consortium had an overall increase in net assets of \$20,850 for the year ended June 30, 2005. The Consortium operates solely on expenditure reimbursed grants and therefore cannot request funds until expenditures are incurred on a modified accrual basis.

The Consortium's revenues totaled \$1,899,324 for the year ended June 30, 2005. Of this amount, \$1,751,996, or 92% were from federal grants. The remaining was from State of Michigan funded grants. \$1,275,355 of the federal grants was from Workforce Investment Act Funds and Reed Act Funds. These funds were composed of eleven different grants, each with their own eligibility and spending requirements. Total revenue decreased by \$220,150 from the year ended June 30, 2004. The tightening of budgets at the federal and state levels have caused grant funds to decrease.

The Consortium's total cost to fund all governmental activities was \$1,878,474 for the year ended June 30, 2005. All of these costs were funded by grants from other governmental agencies. This shows the reliance the Consortium has on the federal and state government to provide future funding for their programs and administrative costs.

Fund Financial Statements

The governmental fund financial statements report the Consortium's finances similar to how they have been reported in previous years. The Consortium had no fund balance at June 30, 2005 or 2004. The reason there is no fund balance is that the Consortium is solely grant funded. Grant revenue is expenditure-driven; no revenue is reported until the expenditures are incurred and requested and received from the grantor. No program income is generated by any of the grants.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Governmental Fund Budget

Each grant or program administered by the Consortium has its own spending plan and requirements that govern the use of grant monies. Many of these grants and programs have different starting dates and ending dates that do not coincide with the Consortium's fiscal year end. Each program's expenditures are monitored and compared to budget on an on-going basis as grantor agencies require periodic reporting of grant activities, usually on a quarterly or monthly basis. Program budgets are amended as appropriate by grantors depending on the program spending and activities.

Based on correspondence from the State of Michigan Department of Labor and Economic Growth, the Consortium needed to comply with the requirements of the Michigan Uniform Budgeting and Accounting Act, Public Act 2 of 1968, as amended, through Public Act 493 of 2000, beginning with the fiscal year end June 30, 2005, and, accordingly, budgetary comparison information is included in this report for the first time.

Capital Assets

At June 30, 2005, the Consortium had \$46,565 invested in capital assets. This amount increased during the past fiscal year by \$21,482, consisting of additions totaling \$32,629, depreciation charges of \$11,147, and the disposal of assets with no net book value. All capital asset additions were for computer equipment and three copiers used by clients directly related to certain grant programs or for administration. The disposals included the trade-in of two copiers that were fully depreciated.

Debt

The Consortium had \$18,126 of long-term liabilities at June 30, 2005. This amount increased by \$632 during the past fiscal year. The entire amount is for accrued vacation benefits payable to employees. The liability for vacation benefits will not be relieved until the benefits are paid out to employees and grant revenues are requested for the expenditures.

Future Considerations

With the State of Michigan and federal government facing financial deficits and spending issues, the funding for various programs administered by the Consortium has decreased. The ability of the state and federal government to fund the Consortium operations will determine the future of the Consortium. The Consortium has been granted a waiver from the State of Michigan to self-administer the Employment Services program as no bids were received from outside entities for the June 30, 2006 program year.

Contacting the Consortium

If you have any questions about this report or need additional information, contact the Director at the Western Upper Peninsula Manpower Consortium, 100 W. Cloverland Drive, Ironwood, MI 49938.

FINANCIAL
STATEMENTS

STATEMENT OF NET ASSETS
WESTERN UPPER PENINSULA MANPOWER CONSORTIUM
June 30, 2005

ASSETS	
CURRENT ASSETS	
Cash	\$ 86,917
Accounts receivable - State of Michigan	185,152
Prepaid expenses	<u>14,218</u>
TOTAL CURRENT ASSETS	\$ 286,287
CAPITAL ASSETS	
Capital assets	\$ 162,468
Less: Accumulated depreciation	<u>(115,903)</u>
TOTAL CAPITAL ASSETS	<u>\$ 46,565</u>
TOTAL ASSETS	<u>\$ 332,852</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	\$ 170,608
Salaries, wages and benefits	65,942
Due State of Michigan	22,064
Deferred revenue	<u>27,673</u>
TOTAL CURRENT LIABILITIES	\$ 286,287
LONG-TERM LIABILITIES	
Vacation benefits payable	<u>18,126</u>
TOTAL LIABILITIES	<u>\$ 304,413</u>
NET ASSETS	
Investment in capital assets	\$ 46,565
Unrestricted (deficit)	<u>(18,126)</u>
TOTAL NET ASSETS	<u>\$ 28,439</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF ACTIVITIES
WESTERN UPPER PENINSULA MANPOWER CONSORTIUM
Year ended June 30, 2005

		<u>Program Revenues</u>	<u>Governmental Activities</u>
	<u>Expenses</u>	<u>Operating Grants</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
GOVERNMENTAL FUNCTIONS -			
Current -			
Health and welfare	\$ 1,878,474	\$ 1,899,324	\$ 20,850
NET ASSETS - JULY 1, 2004			<u>7,589</u>
NET ASSETS - JUNE 30, 2005			<u>\$ 28,439</u>

The accompanying notes are an integral part of the financial statements.

BALANCE SHEET - GOVERNMENTAL FUND
WESTERN UPPER PENINSULA MANPOWER CONSORTIUM

June 30, 2005

ASSETS	
Cash	\$ 86,917
Accounts receivable - State of Michigan	185,152
Prepaid expenses	<u>14,218</u>
	<u>\$ 286,287</u>
LIABILITIES AND EQUITY	
Accounts payable	\$ 170,608
Salaries, wages and benefits	65,942
Due State of Michigan	22,064
Deferred revenue	<u>27,673</u>
	Total Liabilities \$ 286,287
Consortium equity	<u>0</u>
	<u>\$ 286,287</u>

The accompanying notes are an integral part of the
financial statements.

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
WITH THE STATEMENT OF NET ASSETS

WESTERN UPPER PENINSULA MANPOWER CONSORTIUM

June 30, 2005

Total fund equity of the governmental fund	\$	0
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Amounts reported for the governmental activities in the statement of net assets are different because:

Additions:

Capital assets used in governmental activities are not financial resources and
therefore are not reported as assets in governmental funds.

The cost of the capital assets is	\$	162,468	
Accumulated depreciation is		<u>(115,903)</u>	\$ 46,565

Reductions:

Long-term liabilities are not due and payable in the current period and
therefore are not reported as liabilities in governmental funds.

Vacation benefits payable		<u>(18,126)</u>
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Total net assets of governmental activities	\$	<u>28,439</u>
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The accompanying notes are an integral part of the
financial statements.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUND

WESTERN UPPER PENINSULA MANPOWER CONSORTIUM

Year ended June 30, 2005

Revenues:

Federal grants	\$ 1,751,996	
State grants	<u>147,328</u>	
		\$ 1,899,324

Expenditures:

Health and Welfare:

Administration	\$ 197,043	
Direct training services	413,648	
Core services - WIA	63,188	
Intensive services - WIA	23,297	
Training and supportive services	344,013	
Training related and supportive services	240,886	
Program costs	475,949	
Retraining	<u>141,300</u>	<u>1,899,324</u>

Excess of Revenues Over Expenditures \$ -0-

Fund balance at July 1, 2004 -0-

FUND BALANCE AT JUNE 30, 2005 \$ -0-

The accompanying notes are an integral part of the
financial statements.

RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE WITH THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

WESTERN UPPER PENINSULA MANPOWER CONSORTIUM

June 30, 2005

Total net change in fund balance - governmental fund	\$	0
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase capital assets are reported as expenditures in governmental funds. For governmental activities, those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation expense exceeds capital outlay in the period.

Depreciation expense	\$	11,147	
Capital outlays		<u>(32,629)</u>	\$ 21,482

In the statement of activities, operating expenses for compensated absences are measured by amounts earned during the year while the governmental funds report expenditures as amounts are paid. This year the amount paid for compensated absences was less than the amount earned.

(632)

Change in net assets of governmental activities	\$	<u>20,850</u>
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The accompanying notes are an integral part of the financial statements.

NOTES TO
FINANCIAL
STATEMENTS

NOTES TO FINANCIAL STATEMENTS

WESTERN UPPER PENINSULA MANPOWER CONSORTIUM

June 30, 2005

NOTE A - REPORTING ENTITY

Western Upper Peninsula Manpower Consortium (the Consortium) was created under State of Michigan Public Act 8 of 1967 to administer the Federal Comprehensive Employee Training Act of 1973, administered the Jobs Training Partnership Act of 1982 and now administers the Workforce Investment Act of 1998. The Consortium operates under an appointed Administrative Board with two members from each of the six counties comprising the Consortium. The Consortium covers a service delivery area of the Michigan counties of Baraga, Gogebic, Houghton, Iron, Keweenaw and Ontonagon with the main office in the City of Ironwood, Michigan, and field offices in the cities of Houghton, L'Anse, Ontonagon and Caspian, Michigan.

The Consortium is, for financial-reporting purposes, a component unit of Gogebic County, Michigan. The financial statements herein present only the financial position and results of operations of the Consortium.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Consortium conform to accounting principles generally accepted in the United States as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies:

Basis of Presentation

Government-Wide Financial Statements

The government-wide financial statements (Statement of Net Assets and Statement of Activities) report information on all of the activities of the Consortium. The activities of the Consortium are considered to be governmental activities.

The government-wide financial statements report all financial and capital assets, short and long-term liabilities, revenues, expenses, gains and losses using the economic resource measurement focus and the accrual basis of accounting. All revenue is recorded when earned and expenses are recorded when a liability is incurred.

The Statement of Activities reports net cost information based on the Consortium's functions. Direct expenses are listed by function with program revenues for each function offset against those expenses. The Consortium has one function, health and welfare, and all of its program revenues are generated from operating grants that are restricted for certain purposes.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund-based Financial Statements

Separate financial statements are provided on the basis of funds, which are considered separate fiscal and accounting entities. The Consortium has only one fund. That fund is a special revenue fund, which is the major governmental fund.

Governmental funds are accounted for using the modified accrual basis of accounting and the flow of expendable financial resources (measurement focus). Under the modified accrual basis of accounting, revenue is recognized when the revenue is subject to accrual, eligibility requirements are met and the revenues are available to finance expenditures of the fiscal period. Revenue is considered available when the revenue has been collected in the current period or soon enough after the end of the period to use to pay current fund liabilities. The Consortium considers revenues to be available if collected within 60 days of the end of the period. Expenditure-based grants are recognized as revenue when revenue is available, the qualifying expenditures have been incurred and all other grant requirements have been met. Expenditures, if measurable, are recorded when they have used or are expected to use current expendable financial resources.

Capital Assets and Depreciation

Capital assets include software, equipment, furniture and fixtures and are reported in the government-wide financial statements. Capital assets are defined by the Consortium as assets with an acquisition cost of more than \$5,000 with an estimated useful life of at least three years. Assets meeting this criteria are recorded at historical cost or estimated historical costs if the amount is not known. Any donated capital assets are recorded at estimated fair market value at the date of donation. The costs of capital assets are charged to expense using an annual allocation of depreciation expense. The expense is recorded on the Government-wide Statement of Activities and included as a direct expense of an identifiable function if the assets sole purpose can be identified as being for that function.

The capital assets are depreciated using the straight-line method with a half-month depreciation taken for assets purchased after the fifteenth of each month over the following useful lives.

Computer software	3 years
Equipment, furniture and fixtures	5-20 years

Vacation Benefits Payable

The liability for vacation benefits payable is the amount of accrued benefits owed by the Consortium to employees and is recorded in the government-wide statement of net assets as a long-term liability.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment in Capital Assets

The portion of net assets of the Consortium that consists of capital assets, net of accumulated depreciation and reduced by any long-term liabilities attributable to the acquisition of those assets is reported as investment in capital assets. There were no long-term liabilities associated with these assets at June 30, 2005.

Unrestricted Net Assets (Deficit)

Net assets (deficit) not meeting the criteria above are considered unrestricted.

Budgets

Each grant or program administered by the Consortium has its own plan, which governs the use of grant monies. An overall budget was adopted by the Consortium Board and accordingly, a budgetary comparison schedule is included as required supplemental information.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE C - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

The Consortium is required to adopt a budget in accordance with the requirements of the Michigan Uniform Budgeting and Accounting Act, Public Act 2 of 1968, as amended through Public Act 493 of 2000. In accordance with the Act, the following procedures should be followed:

1. Prior to July 1, the Director submits to the Board a proposed operating budget for the fiscal commencing July 1. The operating budget includes proposed expenditures and the means to finance them.
2. A public hearing is held to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted at a regular meeting by Board approval.
4. Any revisions to the budgeted amounts must be approved by the Board.
5. The budget is adopted on the basis consistent with generally accepted accounting principles. The budget lapses at the end of the year.
6. Budgeted amounts presented in the financial statements are as originally adopted, or as amended, by the Board of Education prior the June 30, 2005.

The Consortium did not adopt a budget prior to the beginning of the fiscal year and did not hold a public hearing as required by the Act.

Public Act 621 of 1978 Disclosures

Public Act 621 of 1978 requires local units of government to prepare and to monitor their fiscal year budgets in accordance therewith. The Act provides that a local unit of government must amend its budget if it becomes apparent that the local unit's actual revenues will deviate from those budgeted, or if the local unit's expenditures will exceed the amounts appropriated. During the year ended June 30, 2005, the Consortium had actual expenditures in excess of budgeted expenditures in certain budgetary functions and had actual revenues less than were budgeted.

NOTE D - CASH

Deposits are held by the Gogebic County Treasurer and were made in accordance with State of Michigan statutes. The deposits are in accounts insured up to \$100,000 by the Federal Deposit Insurance Corporation. The payroll account is on an imprest system with a zero balance and is under full control of the Consortium. All expenditures are approved by the Gogebic County Board of Commissioners.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE E - CHANGES IN CAPITAL ASSETS

Changes in capital asset balances for the year ended June 30, 2005, were as follows:

	Balance at July 1, <u>2004</u>	<u>Additions</u>	<u>Disposals</u>	Balance at June 30, <u>2005</u>
Software, equipment, furniture and fixtures	\$ 147,295	\$ 32,629	\$ 17,456	\$ 162,468
Accumulated depreciation	<u>122,212</u>	<u>11,147</u>	<u>17,456</u>	<u>115,903</u>
	<u>\$ 25,083</u>	<u>\$ 21,482</u>	<u>\$ 0</u>	<u>\$ 46,565</u>

All depreciation expense was allocable to the health and welfare function.

NOTE F - RETIREMENT SYSTEM

The Consortium's full-time employees are covered by Gogebic County, Michigan's defined benefit pension plan. Retirement contributions of \$10,231 for the year ended June 30, 2005, were made to the plan in accordance with actuarially determined contribution requirements. The details, including the net assets available for benefits, of the pension plan are disclosed in Note Q of County of Gogebic, Michigan's Audited Financial Statements for the year ended December 31, 2004.

NOTE G - OPERATING LEASES

The Consortium leases office space in various locations in its service area on a monthly basis with total annual rent expense of \$91,946. There are no future lease obligations associated with any of the leases.

The Consortium also leases various buildings and equipment for specific programs on a short-term basis. The rent expense for these types of rental agreements is minimal with no future lease obligations.

NOTE H - LONG-TERM LIABILITIES

The long-term liabilities of the Consortium consist of accrued vacation benefits due employees, along with an estimate of payroll taxes on those benefits. The amount increased \$632, to \$18,126 during the year ended June 30, 2005. Consortium employment policies provide for vacation benefits to be earned in varying amounts depending on the number of years of service of the employee. None of the balance is considered a current liability.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE I - DEFERRED COMPENSATION PLANS

Gogebic County, Michigan (the County) offers its employees a choice of several deferred compensation plans created in accordance with Internal Revenue Code Section 457. The Plans, available to the Consortium's full-time employees, permit employees to defer a portion of their salary until future years. Participation in the Plans is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. All amounts of compensation deferred under the Plan and all income attributable to those amounts are, until paid or made available to the employee or other beneficiary, to be held in a trust for the exclusive benefit of plan participants and their beneficiaries.

Investments are managed by the Plans' trustees under one of several investment options, or a combination thereof. The choice of the investment option(s) is made by the participants. During the year ended June 30, 2005, wages of \$1,560 were deferred by Consortium employees.

NOTE J - RISK MANAGEMENT

The Consortium is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Consortium has obtained coverage from commercial insurance companies.

All risk management activities are accounted for in the Special Revenue Fund of the Consortium. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

Management estimates that the amount of actual or potential claims against the Consortium as of June 30, 2005, will not materially affect the financial condition of the Consortium. Therefore, the financial statements contain no provision for estimated claims. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

REQUIRED
SUPPLEMENTAL
INFORMATION

BUDGETARY COMPARISON SCHEDULE - GOVERNMENTAL FUND

WESTERN UPPER PENINSULA MANPOWER CONSORTIUM

Year ended June 30, 2005

	Original and Final Budget	Actual
Revenues:		
Federal grants	\$ 1,817,600	\$ 1,751,996
State grants	<u>188,700</u>	<u>147,328</u>
	\$ 2,006,300	\$ 1,899,324
Expenditures:		
Health and Welfare:		
Administration	\$ 200,800	\$ 197,043
Direct training services		413,648
Core services - WIA		63,188
Intensive services - WIA		23,297
Training and supportive services		344,013
Training related and supportive services	355,000	240,886
Program costs	1,450,500	475,949
Retraining	<u> </u>	<u>141,300</u>
	\$ 2,006,300	\$ 1,899,324
Excess of Revenues Over Expenditures	\$ -0-	\$ -0-
Fund balance at July 1, 2004	<u>-0-</u>	<u>-0-</u>
FUND BALANCE AT JUNE 30, 2005	<u>\$ -0-</u>	<u>\$ -0-</u>

The accompanying notes are an integral part of the financial statements.

OTHER
FINANCIAL
INFORMATION

DETAIL STATEMENT OF REVENUES, EXPENDITURES

WESTERN UPPER PENINSULA

Year ended

	Work First				Wagner-Peyser Act	
	TANF* Type A 2003-04	TANF Type A 2004-05	TANF Type C 2003-04	TANF Type C 2004-05	Employment Services	Reemployment Services
Revenues:						
Federal grants	\$ 36,271	\$ 253,350	\$ 29,293	\$ 15,400	\$ 124,875	\$ 10,875
State grants	<u>15,545</u>	<u>108,578</u>	<u>12,554</u>	<u>6,600</u>		
	\$ 51,816	\$ 361,928	\$ 41,847	\$ 22,000	\$ 124,875	\$ 10,875
Expenditures:						
Administration	\$ 3,860	\$ 49,260			\$ 3,538	
Direct training services:						
Classroom training	\$ 2,875	\$ 18,802				
On-the-job training	1,113	1,855				
Other training costs	<u>164</u>	<u>4,460</u>				
	\$ 4,152	\$ 25,117				
Core services - WIA						
Intensive services - WIA						
Training and supportive services:						
In-school youth costs						
Out-of-school youth costs						
Training related and supportive services	3,637	172,660	\$ 41,847	\$ 22,000		
Program costs	40,167	114,891			121,337	
Retraining						\$ 10,875
	<u>\$ 51,816</u>	<u>\$ 361,928</u>	<u>\$ 41,847</u>	<u>\$ 22,000</u>	<u>\$ 124,875</u>	<u>\$ 10,875</u>
Excess of Revenues Over Expenditures	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Fund balance at July 1, 2004	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
FUND BALANCE AT JUNE 30, 2005	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

* Temporary Assistance for Needy Families

** Detail included on following pages

*** Trade Adjustment Assistance - North American Free Trade Agreement

AND CHANGES IN FUND BALANCE

MANPOWER CONSORTIUM

June 30, 2005

Total Workforce Investment and Reed Act**	Partnership for Adult <u>Learning</u> PAL-02-26	GF/GP Grant Funds	TAA NAFTA*** Trade Program A	Totals
\$ 1,275,355			\$ 6,577	\$ 1,751,996
	\$ 3,162	\$ 889		147,328
\$ 1,275,355	\$ 3,162	\$ 889	\$ 6,577	\$ 1,899,324
\$ 140,366		\$ 19		\$ 197,043
\$ 287,086	\$ 3,162		\$ 6,577	\$ 318,502
16,716				19,684
70,838				75,462
\$ 374,640	\$ 3,162		\$ 6,577	\$ 413,648
63,188				63,188
23,297				23,297
\$ 185,200				\$ 185,200
158,813				158,813
\$ 344,013				\$ 344,013
		742		240,886
199,426		128		475,949
130,425				141,300
\$ 1,275,355	\$ 3,162	\$ 889	\$ 6,577	\$ 1,899,324
\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
-0-	-0-	-0-	-0-	-0-
\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-

DETAIL STATEMENT OF REVENUES, EXPENDITURES
WORKFORCE INVESTMENT ACT
WESTERN UPPER PENINSULA

Year ended

Workforce Investment Act (WIA) 2004-2005							
	Dislocated Worker				Incumbent	Youth	
	Adult Regular	Regular	National Reserve		Worker Type R	Regular	Type N
			Adult	Administration			
Revenues -							
Federal grants	\$ 428,259	\$ 218,603	\$ 22,373	\$ 2,000	\$ 15,064	\$ 344,013	\$ 6,993
Expenditures:							
Administration				\$ 2,000	\$ 3,000		
Direct training services:							
Classroom training	\$ 245,656		\$ 22,373		\$ 12,064		\$ 6,993
On-the-job training	16,716						
Other training costs	<u>70,838</u>						
	\$ 333,210		\$ 22,373		\$ 12,064		\$ 6,993
Core services - WIA	33,334	\$ 29,854					
Intensive services - WIA	11,716	11,581					
Training and supportive services:							
In-school youth costs						\$ 185,200	
Out-of-school youth costs						<u>158,813</u>	
						\$ 344,013	
Program costs	49,999	46,743					
Retraining	<u> </u>	<u>130,425</u>					
	<u>\$ 428,259</u>	<u>\$ 218,603</u>	<u>\$ 22,373</u>	<u>\$ 2,000</u>	<u>\$ 15,064</u>	<u>\$ 344,013</u>	<u>\$ 6,993</u>
Excess of Revenues							
Over Expenditures	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Fund balance at July 1, 2004	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
FUND BALANCE							
AT JUNE 30, 2005	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

AND CHANGES IN FUND BALANCE -
AND REED ACT

MANPOWER CONSORTIUM

June 30, 2005

WIA 2004-2005		Reed Act				
Capacity Building	Local Admin	Type A		Service Center Type B		Totals
		2003-04	2004-05	2003-04	2004-05	
\$ 24,000	\$ 114,927	\$ 55,286	\$ 240	\$ 5,092	\$ 38,505	\$ 1,275,355
\$ 480	\$ 114,927	\$ 17,369	\$ 240	\$ 315	\$ 2,035	\$ 140,366
						\$ 287,086
						16,716
						<u>70,838</u>
						\$ 374,640
						63,188
						23,297
						\$ 185,200
						<u>158,813</u>
						\$ 344,013
23,520		37,917		4,777	36,470	199,426
						<u>130,425</u>
<u>\$ 24,000</u>	<u>\$ 114,927</u>	<u>\$ 55,286</u>	<u>\$ 240</u>	<u>\$ 5,092</u>	<u>\$ 38,505</u>	<u>\$ 1,275,355</u>
\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
WESTERN UPPER PENINSULA MANPOWER CONSORTIUM

Year ended June 30, 2005

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Program or Award Amount	Federal Expenditures
<u>U.S. Department of Labor</u>			
Passed through State of Michigan			
Department of Labor and Economic Growth:			
Workforce Investment Act (WIA) Programs:			
WIA Adult Regular	17.258	\$ 436,552	\$ 428,259
WIA Youth	17.259	354,744	344,013
WIA Youth - Type N High Concentration	(17.258, 17.259, 17.260)	6,993	6,993
WIA Type E - Capacity	(17.258, 17.259, 17.260)	24,000	24,000
WIA Dislocated Worker	17.260	223,054	218,603
WIA Dislocated Worker - National Reserve:			
Adult	17.260	22,373	22,373
Administration	17.260	2,000	2,000
WIA Incumbent Worker - Type R	(17.258, 17.259, 17.260)	22,272	15,064
WIA Local Administration	(17.258, 17.259, 17.260)	115,180	114,927
Reed Act Type A:			
2003-2004	PL No. 107-147 of 2002	451,963	55,286
2004-2005	PL No. 107-147 of 2002	124,479	240
Reed Act Service Center:			
Type B - 2003-2004	PL No. 107-147 of 2002	40,000	5,092
Type B - 2004-2005	PL No. 107-147 of 2002	<u>40,000</u>	<u>38,505</u>
Total Workforce Investment Act Programs		\$ 1,863,610	\$ 1,275,355
Wagner-Peyser Act:			
Employment Services	17.207	\$ 124,875	\$ 124,875
Reemployment Services	17.207	<u>10,875</u>	<u>10,875</u>
		* \$ 135,750	\$ 135,750
Trade Adjustment Assistance - Trade Program Type A	17.245	<u>90,000</u>	<u>6,577</u>
Total U.S. Department of Labor		\$ 2,089,360	\$ 1,417,682

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Program or Award Amount	Federal Expenditures
<u>U.S. Department of Health and Human Services</u>			
Passed through State of Michigan			
Department of Labor and Economic Growth:			
TANF - Work First:			
Type A - 2003-2004	93.558	\$ 194,405	\$ 36,271
Type A - 2004-2005	93.558	423,113	253,350
Type C - 2003-2004	93.558	42,000	29,293
Type C - 2004-2005	93.558	<u>22,000</u>	<u>15,400</u>
Total U.S. Department of Health and Human Services *		\$ <u>681,518</u>	\$ <u>334,314</u>
Total Expenditures of Federal Awards		\$ <u>2,770,878</u>	\$ <u>1,751,996</u>

The accompanying notes are an integral part of the
Schedule of Expenditures of Federal Awards.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

WESTERN UPPER PENINSULA MANPOWER CONSORTIUM

Year ended June 30, 2005

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

1. * Designates a Major Program.
2. This schedule of expenditures of federal awards includes the federal grant activity of the Western Upper Peninsula Manpower Consortium and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.
3. The Workforce Investment Act (WIA) and TANF – Work First are considered Type A programs and all other programs are considered Type B programs. The TANF – Work First and Wagner – Peyser Act programs were selected as major programs using the risk-based audit approach and the 25% low-risk audit coverage rule.
4. The Consortium provided federal awards to subrecipients for the following programs in the specified amounts as follows:

<u>Program</u>	<u>CFDA No.</u>	<u>Amount</u>
Workforce Investment Act cluster:		
WIA Adult	17.258	\$ 57,125
WIA Youth	17.259	48,958
WIA Dislocated Worker	17.260	<u>46,843</u>
Total Workforce Investment Act Cluster		\$ 152,926
TANF - Work First	93.558	106,514

5. Expenditures in this schedule are in agreement with the amounts reported in the financial statements.

SUPPLEMENTAL
REPORTS

JOKI, MAKELA & POLLACK, P.L.L.C.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board
Western Upper Peninsula Manpower Consortium
Ironwood, Michigan

We have audited the financial statements of the governmental activities and the major fund of Western Upper Peninsula Manpower Consortium, a component unit of Gogebic County, Michigan, as of and for the year ended June 30, 2005, and have issued our report thereon dated December 15, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Western Upper Peninsula Manpower Consortium's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Western Upper Peninsula Manpower Consortium's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 05-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we believe that the reportable condition described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Western Upper Peninsula Manpower Consortium's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Toti, Makela & Pollack, PLLC

Certified Public Accountants

Ironwood, Michigan
December 15, 2005

JOKI, MAKELA & POLLACK, P.L.L.C.

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

Members of the Board
Western Upper Peninsula Manpower Consortium
Ironwood, Michigan

Compliance

We have audited the compliance of Western Upper Peninsula Manpower Consortium, a component unit of Gogebic County, Michigan, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2005. Western Upper Peninsula Manpower Consortium's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs are the responsibility of Western Upper Peninsula Manpower Consortium's management. Our responsibility is to express an opinion on Western Upper Peninsula Manpower Consortium's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Western Upper Peninsula Manpower Consortium's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Western Upper Peninsula Manpower Consortium's compliance with those requirements.

In our opinion, Western Upper Peninsula Manpower Consortium complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2005. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questions costs on page C-2 and C-3 as items 05-2 and 05-3.

Internal Control Over Compliance

The management of Western Upper Peninsula Manpower Consortium is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Western Upper Peninsula Manpower Consortium's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Joki, Makela & Pollack, PLLC

Certified Public Accountants

Ironwood, Michigan
December 15, 2005

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
WESTERN UPPER PENINSULA MANPOWER CONSORTIUM

Year ended June 30, 2005

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Western Upper Peninsula Manpower Consortium.
2. One reportable condition relating to the audit of the financial statements is reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. The reportable condition is not a material weakness.
3. No instances of noncompliance material to the financial statements of Western Upper Peninsula Manpower Consortium were disclosed during the audit.
4. There were no reportable conditions disclosed during the audit of the major federal award programs to be reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for Western Upper Peninsula Manpower Consortium expresses an unqualified opinion.
6. There were two audit findings relative to the major federal award program for Western Upper Peninsula Manpower Consortium to be reported in Part C of this Schedule, as listed below.
7. The programs tested as the major programs are the TANF – Work First C.F.D.A. No. 93.558 and Wagner – Peyser Act cluster C.F.D.A. No. 17.207 programs.
8. The threshold for distinguishing Types A and B programs was \$300,000. The WIA program cluster and TANF – Work First program were considered to be Type A and the other programs to be Type B.
9. Western Upper Peninsula Manpower Consortium was determined to be a low-risk auditee.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

B. FINDINGS - FINANCIAL STATEMENT AUDIT

FINDINGS

(05-1) Budgeting

State of Michigan Public Act 2 of 1968

Public Act 2 of 1968 requires the Consortium to adopt a fiscal year budget in accordance with the Act. Our audit procedures revealed that the Consortium did not adopt a fiscal year budget by the beginning of the fiscal year and did not hold a public hearing as required by the Act.

We recommend the Consortium review the requirements of the Act and adopt a budget in accordance with the Act.

Management has agreed to do so

State of Michigan Public Act 621 of 1978

Public Act 621 of 1978 requires local units of government to prepare, monitor and amend fiscal year budgets in accordance with the Act. During our audit, we noted the Consortium had actual expenditures in excess of budgeted expenditures in certain budgetary functions and had actual revenues less than were budgeted.

We recommend the Consortium review the requirements of the Act and amend the budget in the future as needed.

Management has agreed to do so.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

FINDINGS

(05-2) Federal Award Reporting Requirements

Our audit procedures revealed expenditures reported to pass-through entities on interim program reports did not agree with actual expenditures from the Consortium's financial records for grants reported in the TANF – Work First program C.F.D.A. No. 93.558. The discrepancy was caused by the interim reports being filed prior to recognition of financial statement adjusting entries reclassifying expenditures to another program.

The effect of these errors is minimal as the total expenditures were reported between two grants with the same C.F.D.A. number and subsequent grant reports corrected the errors on previous reports.

We recommend that the Consortium review their policies and procedures regarding preparation and submission of interim grantor reports, prepare reports accurately and report expenditures to the proper grant in the period they are incurred.

The Consortium management concurs and will complete reports in an accurate manner and ensure financial records used to prepare reports include all expenditures for the period reported.

(05-3) Documentation of Report Expenditures

Our audit procedures revealed estimated expenditure accruals reported as grant expenditures on Employment Services C.F.D.A. No. 17.207 program reports for an interim period were not supported by proper documentation.

The effect of this error is minimal as the estimated expenditures for the interim grant period were reported on the close-out program reports as actual expenditures and supported by subsequent disbursements.

We recommend that the Consortium develop policies and procedures regarding documentation retention.

The Consortium management concurs and has developed procedures for documentation retention.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
WESTERN UPPER PENINSULA MANPOWER CONSORTIUM

Year ended June 30, 2005

PRIOR AUDIT FINDINGS

(04-1) Cash Management

Our audit procedures revealed excess cash on hand for the WIA Youth grant program in the WIA cluster, C.F.D.A. Number 17.259. This was caused by management requesting and receiving cash in advance of incurring expenditures.

The effect of this error is minimal as the excess cash was carried over to the subsequent grant period and expenditures were incurred in the subsequent grant period resulting in all excess cash being spent by June 30, 2004.

We recommended that the Consortium review the federal cash management requirements and adopt policies and procedures to comply with cash management requirements.

The Consortium management concurred and reviewed cash management requirements and developed policies and procedures to comply with the requirements.

(04-2) Federal Award Reporting Requirements

Our audit procedures revealed expenditures reported to pass-through entities on interim program reports did not agree with actual expenditures from the Consortium's financial records for several grants reported in the WIA cluster, C.F.D.A. Numbers 17.258, 17.259 and 17.260. The discrepancy was caused by the interim reports being filed without taking into account the accrual of expenditures for financial reporting purposes in the interim periods.

The effect of these errors is minimal as the expenditures were reported on the program reports in subsequent periods.

We recommended that the Consortium review their policies and procedures regarding preparation and submission of grantor reports and prepare reports accurately and report expenditures in the period they are incurred.

The Consortium management concurred and would complete reports in an accurate manner and ensure financial records used to prepare reports include all expenditures for the period reported.

A similar finding was noted for the 2005 audit.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)

PRIOR AUDIT FINDINGS (CONTINUED)

(04-3) Cost Allocation to Federal Award Program

Our audit procedures revealed expenditures incurred at certain times during the fiscal year were not spread to major federal grant programs in accordance with the cost allocation plan in place at that particular time.

The effect of this error is minimal as the major federal award program expenditures were reported at amounts reflecting only expenditures charged to the applicable programs.

We recommended the Consortium establish procedures to ensure all costs subject to cost allocation between grant programs be allocated to management's cost allocation plan in place during the year.

The Consortium management concurred and established procedures to ensure current cost allocation plans are used to allocate costs to grant programs.

(04-4) Subrecipient Monitoring Requirement

The Consortium is monitored by the State of Michigan. When monitoring activities reveal deficiencies, timely corrective action of the deficiencies is required. Our audit procedures noted corrective action of State of Michigan monitoring findings were not performed timely.

The effect of the untimely follow-up was minimal as the corrective action has been implemented and the corrective action was accepted by the State of Michigan.

We recommended the Consortium establish procedures to ensure required corrective action for monitoring or audit findings is completed in an acceptable time frame.

The Consortium management concurred and established procedures to ensure timely corrective action of any monitoring or audit findings.